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**Commerce & Labor Committee**

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**HB 2565**

**Brief Description:** Modifying the worker training business and occupation tax credit.

**Sponsors:** Representatives Kilmer, Haler, Wallace, Strow, Clibborn, Morrell, McCoy, Appleton, Ericks, Linville, Simpson, Green and Springer.

**Brief Summary of Bill**

- Makes a B&O tax credit for certain worker training available to certain small businesses.
- Specifies that the tax credit is equal to 50 percent of the value of the job training, up to the lesser of \$10,000 or the amount of B&O tax due.

**Hearing Date:** 1/26/06

**Staff:** Jill Reinmuth (786-7134).

**Background:**

Washington's major business tax is the Business and Occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the General Fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. Retailing activities, for example, are taxed at a 0.471 percent rate, while general services are taxed at a 1.5 percent rate.

A B&O credit for employee job training is available to manufacturing and research and development businesses located in distressed areas that provide job-related training at no charge to their employees. The tax credit is equal to 20 percent of the value of the job training, and may not exceed \$5,000 per business per year. According to a Department of Revenue report published in 2004, two businesses take the tax credit.

**Summary of Bill:**

The B&O credit for employee job training is modified.

A B&O tax credit for qualified worker training is available for qualified employers. Qualified worker training is instruction to enhance job performance through public and private institutions of higher education, private vocational schools, training provided by Washington Manufacturing

Services, and for employers with less than ten employees, training provided by the employer. "Qualified employers" are independently owned businesses located in Washington with less than 50 employees worldwide.

The B&O tax credit is equal to 50 percent of the value of the job training, and may not exceed the lesser of \$10,000 per business per year or the amount of B&O tax otherwise due for the calendar year. Credits must be taken for taxes due for the calendar year in which qualified expenses were incurred. Credits may not be carried over to subsequent years. Refunds may not be granted for unused credits.

The Joint Legislative Audit and Review Committee (JLARC) must report on the impact of the tax credit to appropriate legislative committees by December 1, 2014. The report must be prepared in cooperation with the Department of Revenue, the State Board for Community and Technical Colleges, the Work Force Training and Education Coordinating Board, and the Higher Education Coordinating Board. The report must include the number of people receiving qualified worker training, the type, length, and average cost of such training, the cost of program administration, and the number of qualified employers that take the credit by firm size.

The B&O tax credit expires December 31, 2016.

**Rules Authority:** The bill does not contain provisions addressing the rule-making powers of an agency.

**Appropriation:** None.

**Fiscal Note:** Requested on January 17, 2006.

**Effective Date:** The bill takes effect on January 1, 2007.